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Australia

Retail Food Sector

Competitiveness of Grocery Pricing in Australia Investigated

2008

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Report Highlights:

The Australian Competition and Consumer Commission (ACCC) has released the results of a public inquiry into the competitiveness of retail prices for standard groceries. Matters taken into consideration by the inquiry included: the current structure of the grocery industry; the nature of competition at the all levels of the grocery industry; the competitive position of small and independent retailers; pricing practices; factors influencing the pricing of inputs along the supply chain; any impediments to efficient pricing of inputs; and, the effectiveness of the Horticulture Code of Conduct.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

The Australian Competition and Consumer Commission (ACCC) has released the results of a public inquiry into the competitiveness of retail prices for standard groceries pursuant to the Trade Practices Act 1974. The inquiry was conducted at the request of the Assistant Treasurer and Minister for Competition Policy & Consumer Affairs.

Matters taken into consideration by the inquiry included, but were not restricted to:

- the current structure of the grocery industry at the supply, wholesale and retail levels including mergers and acquisitions by the national retailers
- the nature of competition at the supply, wholesale, and retail levels of the grocery industry
- the competitive position of small and independent retailers
- the pricing practices of the national grocery retailers and the representation of grocery prices to consumers
- factors influencing the pricing of inputs along the supply chain for standard grocery items
- any impediments to efficient pricing of inputs along the supply chain
- the effectiveness of the Horticulture Code of Conduct, and whether the inclusion of other major buyers such as retailers would improve the effectiveness of the code.

As the average Australian household spends around 12-14% of their after-tax income on standard groceries (not including items such as liquor, cigarettes and stationery, although they are found in most Australian supermarkets), increasing prices for these goods have been strongly felt and the high level of media interest and consumer apprehension about grocery prices reflect this sentiment.

During the inquiry, one significant concern raised was whether the gap between farm gate and retail prices for groceries has been widening in recent times, such that farmers and suppliers are getting less, while retailers are getting more. Concerns were also raised about the long-term future of small family-run independent supermarket operators and smaller retailers such as butchers, bakeries and greengrocers and their ability to compete with the major supermarket chains (Coles and Woolworths).

The ACCC report focuses on competition in the Australian grocery sector – specifically whether a lack of competition is an explanation for the concerns identified above. The report analyses the extent to which competition (or a lack of it) has contributed to increased grocery prices. The supply chain and bargaining power of Coles, Woolworths and Metcash (the major wholesaler to the independent sector) are given detailed attention. The competitive position of independent retailers also comes under close scrutiny, with an analysis of the factors that may make it difficult for independent grocery retailers to compete aggressively with Coles and Woolworths on price. The report concentrates on basic staple products essential to households.

A full copy of the inquiry report is available on the ACCC website at:
<http://www.accc.gov.au/content/index.phtml/itemId/838251/fromItemId/3737>.

To get a full overview of the Australian market, U.S. companies interested in exporting to Australia should read the inquiry report in conjunction with the Retail Sector Report (AS7067) released in November 2007. A copy of the Retail Sector Report is available at:
<http://www.fas.usda.gov/gainfiles/200711/146292934.pdf>

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